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SELECTION OF PRIME CONTRACTOR

Overview

The Internal Revenue Service has selected a team of contractors led by Computer Sciences Corporation to help the agency modernize its business practices and replace its outdated technology. The comprehensive modernization program also includes reorganization of the agency to improve service to taxpayers.

Background

In May 1997, IRS developed and issued its Modernization Blueprint, a detailed plan to build a modern technology architecture, in response to Public Law (PL) 104-208, the Omnibus Consolidated Appropriations Act. PL 104-208 also called for issuance of a Request for Proposal (RFP) for a Prime Systems Integration Services Contractor (PRIME) to partner with IRS to manage implementation of the Blueprint. IRS issued the RFP to acquire a PRIME contractor on March 26, 1998. Given the magnitude of the task, interested contractors formed partnerships to leverage the resources necessary to offer competitive bids.

Two teams eventually bid on the proposal. The group selected for the contract is led by Computer Sciences Corporation and includes Northrop Grumman, KPMG Peat Marwick, UNISYS, IBM, Lucent Technologies and SAIC. Lockheed Martin led the other team, which included EDS, Arthur Andersen, Robbins-Gioia, Intuit and the Gallup Organization.

Innovative Procedure Approach

From the beginning, IRS sought out industry expertise and used the best knowledge of both private industry and government to develop the RFP. Throughout the procurement process, IRS and the contractor teams maintained open lines of communication, including numerous face-to-face meetings.

Initial proposals were received on June 1, 1998. Discussions were conducted with both teams from Sept. 4-25, 1998. These included evaluation issues and negotiation of the terms and conditions of the contract.   Final proposal revisions were received on Oct. 14, 1998.

Selection Process

IRS evaluated the contractor teams in several areas: 1) strategic technical approach, 2) strategic business approach, 3) proposal for a customer service and compliance pilot, 4) management overview, 5) past performance and 6) input to the request for comments. Both teams provided very strong proposals. The Computer Sciences team was chosen for its stronger strategic technical and strategic business approaches.

Role of Prime Contractor

The IRS will partner with the PRIME contractor to achieve its overall goal of modernizing business processes and systems to improve service quality, timeliness, reliability and privacy. IRS will rely on the PRIME to act as a systems integrator to find and manage the best expertise and technical resources to achieve the agency's organizational goals.

The first six months after the contract award, IRS staff and PRIME contractors will put in place a series of management processes, including strategic planning management, requirements management, investment decision management, and program and project management. This work will be funded through regular IRS appropriation funds and is part of a Congressional requirement before additional funds can be released from a special account.

During the subsequent 18 months, the IRS/PRIME partnership plans to build the first releases of prioritized modernization initiatives. The IRS/PRIME partnership plans to also complete the development and implementation of methodologies to manage information technology systems throughout their life cycle. Technology modernization is a long-term program, and IRS plans to work with the PRIME contractor over the next 10-15 years.

Approach to Technology Modernization

The technology modernization program will be executed through a series of projects, each of which will deliver benefits and improvements in the near term while moving toward the long-term architecture defined in the IRS Modernization Blueprint. Some of the initial projects targeted for work in 1999 and 2000 include improved service for people contacting the IRS by phone and expanded Electronic Tax Administration projects.

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Each project that comprises the technology modernization program will be carefully evaluated for business benefits, risk and cost before being authorized by top management. In addition, each project will have key checkpoints to ensure that its objectives are being met along the way.

Management and Governance

The IRS has established a top-level executive steering committee, chaired by the Commissioner, to oversee the planning and management of the IRS business and technology modernization. This top-level governance approach has already been used successfully in managing the IRS's $1 billion Y2K program, which is on schedule to complete almost all the essential work by January 1999, allowing the remainder of 1999 for final testing.

Working in partnership with the PRIME, the IRS will also strengthen its Program Management and Engineering office and will establish a Business Technology Planning office under the direction of Deputy Commissioner for Modernization, John LaFaver. He is in charge of IRS reorganization planning. LaFaver has successfully developed and implemented integrated tax systems in two state revenue agencies.

In addition, the IRS has already taken some major steps in preparation for the modernization program. In July, a new Chief Information Officer (CIO), Paul J. Cosgrave assumed office. Cosgrave has 25 years of experience in the private sector in executing large-scale technology programs. Cosgrave has also recruited several senior technology executives from outside the agency to strengthen the management of the CIO organization.

The IRS also recently consolidated information technology programs across the agency so that service center and field personnel and resources are now centrally directed by the CIO. This centralization of management placed, for the first time, nearly all IRS technology resources under unified control. Already, for example, the number of e-mail systems is being reduced from 11 to 1. And within one year, the IRS will have widespread and secure internal access to e-mail for employees across the country. Standardization of hardware, software and operational procedures is a high priority, and will greatly facilitate organizational and technology modernization.

Technology Will Help Improve Service

The IRS is in the midst of an array of changes aimed at improving services for taxpayers. But in the long run, many improvements will depend on the replacement of outdated technology.

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For example, the ability of IRS representatives to provide taxpayers accurate information on their accounts is severely limited because all taxpayer records are currently stored on tape files that are updated only weekly and cannot be accessed directly from computer terminals.

Selection of a PRIME contractor is an important step in IRS's modernization program. A PRIME contractor, in partnership with IRS personnel, brings world-class practices to enable the IRS to modernize the agency and provide top quality service to America's taxpayers.

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